

## Message Text

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PAGE 01 BUDAPE 02155 01 OF 02 251713Z  
ACTION EUR-03

INFO OCT-01 ISO-00 ONY-00 /004 W  
-----115469 251717Z /42  
P 251634Z MAY 78 ZFF4  
FM AMEMBASSY BUDAPEST  
TO SECSTATE WASH DC PRIORITY 1579

C O N F I D E N T I A L SECTION 1 OF 2 BUDAPEST 2155

FOR ANDREWS FROM WILGIS

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E. O. 11652: GDS  
TAGS: OGEN  
SUBJECT: OFFICIAL - INFORMAL

REF: STATE 132770

1. THANK YOU FOR RESPONDING SO QUICKLY TO OUR 2113 CONCERNING THE SITUATION IN THE SENATE AND THE TRADE AGREEMENT. WE THOUGHT WE WOULD SEND YOU SOME FURTHER THOUGHTS ON OUR STRATEGY, WHO CAN HELP US, AND TO WHOM SHOULD WE DIRECT OUR EFFORTS.

2. TALKING POINTS: WE KNOW THAT YOU ARE FAMILIAR WITH THE ARGUMENTS THAT WE CAN USE WHEN WE APPROACH VARIOUS INDIVIDUAL SENATORS. WITHOUT GOING INTO GREAT DETAIL AND AT THE RISK OF STATING THE OBVIOUS, WE WOULD LIKE TO UNDERLINE AT THIS POINT THE VALIDITY OF THE FOLLOWING THREE ARGUMENTS:

A. U.S.-HUNGARIAN RELATIONS: NON-APPROVAL OF THE TRADE AGREEMENT WOULD HAVE A MOST SEVERE ADVERSE EFFECT ON OUR BILATERAL RELATIONS WITH HUNGARY. IT WOULD PUT INTO COLD STORAGE THINGS THAT WE WANT TO DO WITH HUNGARY WHICH ARE DEFINITELY IN OUR INTEREST: COMPLETION OF THE WORKING PROGRAM OF THE CULTURAL AGREEMENT, NEGOTIATION OF A SETTLE-  
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PAGE 02 BUDAPE 02155 01 OF 02 251713Z

MENT TO OUR REAL ESTATE PROBLEMS IN BUDAPEST, EXPAN-  
SION OF OUR EXPORTS, ESTABLISHMENT OF U.S.-HUNGARIAN  
JOINT VENTURES, AND DEVELOPMENT IN GENERAL OF A  
CLOSER ECONOMIC RELATIONSHIP WITH HUNGARY WHICH  
WILL BENEFIT OUR BUSINESSMEN AND EXPORTERS. MOREOVER,  
REVIEW OF THE TRADE AGREEMENT WOULD SIGNIFICANTLY REDUCE THE  
POLITICAL LEVERAGE WE HAVE BEEN BUILDING UP IN RECENT MONTHS.

B. HUNGARIAN-SOVIET RELATIONS: WE SENSED THAT THE VOTE IN THE HOUSE WAS A REFLECTION OF A GROWING ANTI-SOVIET FEELING. WE RECOMMEND THAT WE EXPLOIT THIS FEELING BY POINTING OUT PRIVATELY THAT A VOTE FOR THE TRADE AGREEMENT IS A VOTE AGAINST SOVIET HEGEMONY IN EASTERN EUROPE. WE MIGHT MAKE THE POINT THAT THE SOVIETS OPPOSED THE TRADE AGREEMENT AND THAT ITS ENACTMENT WILL REDUCE THEIR LEVERAGE OVER THE LONG TERM OVER HUNGARY. WE WOULD NOT WANT TO MAKE THIS ARGUMENT PUBLICLY. OUR PUBLIC REMARKS SHOULD BE CONFINED TO STATING THAT THE TRADE AGREEMENT IS ONE MORE EXAMPLE OF THE POLICY FOLLOWED BY THE PRESENT AND PAST ADMINISTRATIONS OF DEALING WITH EASTERN EUROPEAN COUNTRIES ON AN INDIVIDUAL BASIS.

C. HUMAN RIGHTS: TO THOSE SENATORS WHO ARE DISTURBED ABOUT THE HUMAN RIGHTS SITUATION IN EASTERN EUROPE, WE CAN ARGUE CONVINCINGLY THAT THE HUMAN RIGHTS SITUATION HERE IS THE BEST IN EASTERN EUROPE. THE EXISTENCE OF A STRONG JEWISH COMMUNITY WITH ITS OWN SYNAGOGUES AND RABBINICAL SEMINARY SHOULD BE PARTICULARLY EFFECTIVE WITH SENATORS WHO ARE ESPECIALLY RESPONSIVE TO JEWISH CONCERNS. THE PRESIDENT OF THE HUNGARIAN JEWISH COMMUNITY, IMRE HEBER, STRONGLY SUPPORTS THE TRADE AGREEMENT AND TOLD KLUTZNICK SO WHEN CONFIDENTIAL

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PAGE 03 BUDAPE 02155 01 OF 02 251713Z

HE VISITED HERE A FEW MONTHS AGO. DEFEAT OF THE TRADE AGREEMENT WOULD CRIPPLE OUR ESPOUSAL OF HUMAN RIGHTS, ESPECIALLY THE RIGHT TO EMIGRATE.

D. U.S. EXPORTS: WE NOW SELL HUNGARY ABOUT TWICE AS MUCH AS IT SELLS TO US. HUNGARY'S CHIEF EXPORT TO THE U.S., CANNED HAMS, WILL NOT BE HELPED BY THE AGREEMENT, SINCE THEY ALREADY ENTER THE U.S. AT MFN RATES, BUT EXPORTS OF LIGHT BULBS SHOULD NOT INCREASE SINCE THE HUNGARIAN MANUFACTURER IS PUTTING UP A FACTORY IN NEW JERSEY TO SUPPLY THE U.S. MARKET. ON THE OTHER HAND, APPROVAL OF THE TRADE AGREEMENT WOULD SUBSTANTIALLY ENHANCE OUR COMPETITIVE POSITION IN HUNGARY. IT WILL REMOVE BOTH PSYCHOLOGICAL AND TARIFF BARRIERS. WE WILL NOT BELABOR THIS POINT IN THIS TELEGRAM SINCE WE HAVE PREVIOUSLY SUPPLIED INFORMATION ON THE DIFFERENT TARIFF RATES, ETC.

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PAGE 01 BUDAPE 02155 02 OF 02 251721Z  
ACTION EUR-03

INFO OCT-01 ISO-00 ONY-00 /004 W  
-----115533 251724Z /42  
P 251634Z MAY 78 ZFF4  
FM AMEMBASSY BUDAPEST  
TO SECSTATE WASH DC PRIORITY 1580

C O N F I D E N T I A L SECTION 2 OF 2 BUDAPEST 2155

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3. WHO CAN LOBBY FOR US: IN ADDITION TO THE EXCEL-  
LENT WORK WHICH YOU IN STATE PLUS COMMERCE, PLUS  
STR (AND HERE WE THINK YOU SHOULD USE BOB STRAUSS  
EARLY ON) ARE DOING, WE WOULD RECOMMEND HEAVY LOBBYING BY  
THE U.S.-HUNGARIAN CHAMBER. WE EMPHASIZE THAT THE  
CHAMBER MUST INVOLVE TOP EXECUTIVES OF U.S. INDUSTRY  
AND NOT RELY ON WASHINGTON LOBBYISTS TO DO THE TELE-  
PHONING. WHILE YOU HAVE SUBSTANTIAL INFORMATION ON  
THE BUSINESSES INVOLVED IN HUNGARIAN TRADE, WE RECOMMEND  
SPECIFICALLY APPROACHES TO MR. BROOKS MCCORMICK, CHAIRMAN  
OF THE BOARD OF INTERNATIONAL HARVESTER, AND ZOLTAN MERSZEI,  
CHAIRMAN OF THE BOARD OF DOW CHEMICAL. AS AMBASSADOR INFORMED  
LUERS ON PHONE TODAY, MAY 25, MCCORMICK TOLD AMBASSADOR  
YESTERDAY THAT MOST OF HARVESTER'S 75,000 EMPLOYEES ARE  
LOCATED IN ILLINOIS, INDIANA AND OHIO, AND ONE-THIRD OF THESE  
EMPLOYEES OWE THEIR JOBS TO THE EXPORT MARKET. MCCORMICK  
SAID HE WAS WILLING TO CALL THE SENATORS FROM THESE THREE  
STATES. APPARENTLY HE KNOWS THEM PERSONALLY. AS YOU KNOW FROM  
OUR PREVIOUS REPORTING, MERSZEI WAS HERE RECENTLY AND HAS  
LAUNCHED HIS COMPANY INTO A SERIES OF CLOSE COLLABORATION WITH  
HUNGARY. HIS PROJECTED JOINT VENTURE IN HUNGARY, AS  
WELL AS HIS COOPERATION IN OTHER CHEMICAL FIELDS, WILL  
BE SEVERELY JEOPARDIZED IF THE TRADE AGREEMENT IS DEFEATED.  
WE ARE SURE HE WILL BE WILLING TO TELEPHONE VARIOUS SENATORS.  
AS YOU KNOW, DOW HAS 46 FACTORIES IN 22 STATES AND MERSZEI  
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PAGE 02 BUDAPE 02155 02 OF 02 251721Z

WILL BE A MOST EFFECTIVE PROPONENT OF OUR VIEWS.

4. WE ALSO BELIEVE THAT SECRETARY OF AGRICULTURE

BERGLAND, WHO JUST COMPLETED A MOST SUCCESSFUL VISIT, COULD BE VERY EFFECTIVE IN DEALING WITH SENATORS FROM THE FARM STATES. AGRICULTURAL EXPORTS ARE KEY IN OUR EXPORT POTENTIAL TO HUNGARY AND THE SENATORS FROM THE FARM BELT SHOULD BE TOLD THIS.

5. WHO TO LOBBY: WE REMAIN CONVINCED THAT SENATOR JACKSON IS A KEY FIGURE AND RECOMMEND THAT WE APPROACH HIM EARLY ON. IN ADDITION TO THE INDIVIDUALS IN OUR 2113, WE RECOMMEND THAT WE ALSO APPROACH SENATORS SENATORS MAGNUSON AND INOUE. THEY BOTH HAVE A LONG RECORD OF FAVORING MFN FOR HUNGARY, AS DOES THE SENATE COMMERCE COMMITTEE IN GENERAL. WHILE THIS IS NOT THE MOST RELEVANT COMMITTEE, WE MAY FIND OUR "POINT MAN" AMONG ITS 17 MEMBERS. WE ALSO NOTE AN ARTICLE IN THE BALTIMORE SUN OF MAY 23 BY ANTHONY BARBIERI, IN WHICH IT IS CLAIMED THAT TEN PER CENT OF ALL U.S. EXPORTS TO HUNGARY MOVED THROUGH THE PORT OF BALTIMORE WHILE ALMOST TEN PER CENT OF HUNGARIAN EXPORTS ARRIVED THROUGH BALTIMORE. SARBANES AND MATHIAS SHOULD BE INTERESTED IN THIS STATISTIC.

6. WE HAVE DONE A QUICK HEAD-COUNT HERE AND BELIEVE THAT WE CAN COUNT ON AT LEAST 60 VOTES IN THE SENATE. WE WOULD BE INTERESTED IN YOUR ANALYSIS OF WHERE WE MAY BE IN TROUBLE SO THAT WE MAY THINK LONG AND HARD ABOUT ARGUMENTS TO USE WITH SENATORS WHO COULD BE PERSUADED TO VOTE OUR WAY.

7. SORRY FOR THE SLIP-UP IN BUDAPEST 2113 ON THE CONFIDENTIAL

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PAGE 03 BUDAPE 02155 02 OF 02 251721Z

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 may 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780221-0417  
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**Original Handling Restrictions:** ONLY  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
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**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** ONLY  
**Reference:** 78 STATE 132770  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 06 jun 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014